

Developing Marketing Strategy in Property Insurance Business

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Abstract: Customer is a very important part in insurance service, so insurance company should be able to choose a marketing strategy that is able to provide the attention to the needs of customers so that customers are able to achieve satisfaction. In addition to the ability to provide quality service and a good image insurance companies are required to build customer confidence in order to create satisfaction to realize customer loyalty. The aim of this research was to examine the roles of corporate image, service quality, trust and satisfaction to the customer loyalty on property insurance. The samples in this research were 130 exporters of property insurance policy holders in Indonesia. The sample collection technique used purposive sampling. The data quality was determined using validity and reliability tests by using the analysis tool of Structural Equation Modelling (SEM). The test results indicate that there is a positive and significant effect on the variables examined. Service quality has positive and significant effect on satisfaction, trust has positive and significant effect on satisfaction and satisfaction has positive and significant effect on loyalty. In other hand, corporate image has negative insignificant effect on customer loyalty.

Key words: Marketing, strategy insurance, satisfaction, customer, effect

INTRODUCTION

Along with the rapid development of insurance industry in Indonesia, it makes the competition among insurance companies tougher in the snatch of customers and retaining the existing market share today. One way that must be taken by insurance companies is by determining the appropriate marketing strategy in order to survive in the competition and increase their profitability. Various marketing strategies continue to evolve with the aim to provide satisfaction to their customers and to keep customers remain loyal to the products offered. One of the marketing strategies that can be applied by insurance companies is by increasing the number of customers who always re-buy or the customers having loyal category. Various facilities are being developed constantly to make it easier for customers to do transactions with various service facilities provided. An insurance company does not provide standard services only but it also important to improve the quality in dealing with customers. According to Qayyum *et al.* (2013) and Salam *et al.* (2013) public assessment to insurance is not only focused on the problem of quantity as the premium rate given by an insurance company but it also develops on the issues of quality and trust in the insurance product offered, the insurance service provided and the insurance's good image. Insurance is a kind of trust-oriented company. Trust reflects insurance company's credibility for

customers and trust must be established between an insurance company and its customers in order that they are able to feel the benefits by collectively gaining profit. Both sides should also actively foster a mutually beneficial relationship so that they feel the positive effects of reliability in the transaction. Reliable insurance is an insurance that is able to establish a good image to always improve its service quality so that customers always trust and are satisfied and ultimately customers voluntarily always re-buy. A good image is created by the insurance company that is able to provide the services that exceed customer expectations. According to Salam *et al.* (2013), corporate image is considered to be an important factor in the overall evaluation of each organization. In addition, corporate image is the effect of the overall customer perception on a company and set up by the information and knowledge on the company because it can provide satisfaction to its customers. Then, it can increase consumer appeal for the use of a product or service. It is in line with the research conducted by Tu *et al.* (2012) which states that corporate image simultaneously has a significant effect on loyalty. The other studies conducted by Salam *et al.* (2013) and Qayyum *et al.* (2013) also agree that corporate image has positive and significant effect on satisfaction and loyalty. In addition to the image, the other thing that leads to customer loyalty is excellent service quality of insurance company. This is consistent with the research of Tu *et al.* (2013) which states that there is a positive effect between

service quality and customer satisfaction and loyalty. The other study conducted by Ahmed *et al.* (2014) and Salam *et al.* (2013) also agree that service quality and trust have significant effect on customer satisfaction and also have the effect on loyalty. According to the research of Qayyum *et al.* (2013), satisfaction has positive and significant effect on customer loyalty. According to Bagram and Khan (2012) loyalty is the willingness of customers to always use company's products and services in the long run, especially when they use them exclusively and recommend the company's products to friends and colleagues. Customers who have high loyalty will always perform repeated behavior in the use of the services provided by a Company.

Property insurance is one of insurance products with quite large market share in Indonesia, 21% in 2013 and was increasing in 2014 to be 23%. The rate premium also has increased in average 0.011% up to 0.25% in 2013 and was increasing to be 0.012% up to 0.30% in 2014. However on the other hand the number of insurance companies selling property insurance products has also increased in average increasing 0.2% per-year. With the tight competition, the companies are required to foster each competitive advantage through creative innovative and efficient efforts so that they will be the choice of many customers who in turn are expected to be loyal and trust the company either the image or service quality. In order to keep clients or potential clients insurance companies must strive to maintain long-term relationships by instilling trust to customers to achieve customer satisfaction. This is consistent with the research of Ahmed *et al.* (2014) which states that there is a positive effect between the variables of trust and customer satisfaction. Based on the results of the previous researches this research included the variables of corporate image, service quality, trust and satisfaction on loyalty.

The aim of this research was to examine the association between the variables of corporate image, service quality, trust and loyalty on satisfaction. This research is expected to explain the concept of loyalty in terms of the dimensions of corporate image, service quality, trust and satisfaction by taking the sample of the exporters of property insurance policyholders in Indonesia. Property insurance policy is defined as an insurance policy covering the loss to businessmen, especially exporters as the insured of losses due to their property.

Literature review: Marketing strategy is an important element or the soul in a company to realize the company's objectives to get the customers who volunteered to

always buy (loyal) which in turn contribute to the achievement of maximum profit. Marketing is an organizational function and a series of processes for creating, communicating and delivering value to customers and for managing customer relationships in the ways that benefit the organization and its stakeholders. Therefore in dealing with the processes, it requires a lot of work and skill. According to Mahmud *et al.* (2013), service marketing is the activities, benefits or satisfaction that can be offered by one party to another which is essentially intangible (intangible) and provides no ownership of anything. One indicator that a service marketing strategy is successfully performed by a service company is the real action of consumers to buy the products and services offered to them. Increasing consumers' voluntary action to regularly re-purchase, the consumers are classified as loyal customers. The level of customer loyalty is influenced by several factors such as corporate image, service quality, trust and satisfaction (Qayyum *et al.*, 2013; Tu *et al.*, 2012; Salam *et al.*, 2013; Ahmed *et al.*, 2014). Loyalty is a deeply held commitment to re-purchase or re-support the product or service favored in the future although the influence of circumstances and marketing efforts can potentially cause customers to switch. Loyalty is a result of continuous promotional efforts in order to attract and persuade customers to buy the same product again. Customer loyalty is often associated with repeated purchase behavior.

Customers with high loyalty will always perform repeated behavior in using the services provided by insurance because loyalty is customer commitment to corporate image and customers' positive and consistent response. Image is a set of beliefs, ideas and impressions of a person against an object. Object includes individuals and companies consisting of a group of people within it. Corporate image shows an object impression to a company formed by processing information at any time from a variety of reliable information sources. In other hand, service quality delivers excellent service performed by service providers in meeting the needs and desires of customers and its accuracy of delivery to keep pace with customer expectations. Service quality is an important thing that must be considered and maximized in order to survive and still be selected by customers Qayyum *et al.* (2013). In addition, trust is a belief that a person will find what he/ she wants in his/her exchange partner. Trust is a person's belief on certain values that will affect his/ her behavior (Peter and Olson, 2013). According to the research of Qayyum *et al.* (2013) loyalty is influenced by satisfaction in which in this study, satisfaction is the perceived result of buyers from the company performance

that meet their expectations. The high level of satisfaction will increase customer loyalty, prevent customer turnover and improve business reputation.

Association in the variables

Association of corporate image with satisfaction:

According to Kotler and Keller (2012), image is the way how public perceives a company or its products. Companies with good image or reputation will encourage consumers to buy the products offered, enhance competitiveness, encourage employee morale and improve customer quality. It is in line with the research conducted by Salam *et al.* (2013) and Tu *et al.* (2012) who agreed that corporate image has positive significant effect on satisfaction. On the basis of the description, the following hypothesis was made:

- H_1 = corporate image has positive and significant effect on satisfaction

Association of service quality and satisfaction:

Service quality is the level of excellence expected to meet customer expectations. It reflects all dimensions of product offerings that generate benefits for customers. This is consistent with the research of Ahmed *et al.* (2014) which states there is a positive effect of service quality on customer satisfaction. The other study conducted by Salam *et al.* (2013) also agreed that service quality has the effect on customer satisfaction. On the basis of the description, the hypothesis was as follows:

- H_2 = service quality has positive and significant effect on satisfaction

Association of trust with satisfaction:

Trust is a belief that a person will find what he/she wants in exchange partner. Trust is a consumer behavior to entrust a company to perform the company functions in accordance with the customer desire. This is consistent with the research of Ahmed *et al.* (2014) which states that there is a positive effect of the variables of trust on customer satisfaction. On the basis of the description, the hypothesis was as follows:

- H_3 = trust has positive and significant effect on satisfaction

Association of satisfaction with loyalty:

Customer satisfaction can be felt when a company is able to provide the product or service that is able to reach customer expectations. High level of satisfaction will increase customer loyalty and prevent customer turnover, reduce

customer sensitivity to price, reduce the cost of marketing failures, reduce operating costs caused by the increasing number of customers, improve advertising effectiveness and improve business reputation. This is in line with the research of Qayyum (2013) which states that there is a positive effect of customer satisfaction on customer loyalty. The other researchers such as Tu *et al.* (2012) and Salam *et al.* (2013) found that there is the effect of satisfaction on loyalty. On the basis of the description, the hypothesis was as follows:

- H_4 = satisfaction has positive and significant effect on loyalty

MATERIALS AND METHODS

This research was conducted using the samples of the exporting companies of property insurance policyholders in Indonesia. The sampling used purposive sampling technique including the criteria of at least 1 year to be property insurance customers with the level of premium payments in current category and the respondents acted as decision makers and interacted with insurance companies. The questionnaires were distributed to 155 companies to obtain the primary data and then the data obtained were quantified and analyzed. This research used Likert scale with the response criteria of strongly disagree given the score of 1, disagree with the score of 2, simply agree with the score of 3, agree with the score of 4, strongly agree with the score of 5. The variables analyzed consisted of the exogenous variables including corporate image, service quality and trust. Besides the endogenous variables included customer satisfaction and loyalty. The data were analyzed using Structural Equation Modeling (SEM) with the programming package of AMOS (Analysis of Moment Structure). The steps taken in the SEM are; the development of the model theoretically, preparing the path diagram, changing the path diagram into a structural equation, selecting an input matrix for data analysis, assessing the model identification, assessing the criteria of goodness-of-fit and interpreting the model estimation (Hair *et al.*, 2006).

RESULTS AND DISCUSSION

The research data were obtained by the questionnaires to the companies of property insurance policy users (exporters) in Indonesia with a total sample of 155 companies but in the implementation the questionnaires damaged were 25 pieces so that the good questionnaires that can be used were 130 pieces. In terms of the companies' operational length of time there were

Table 1: Means, standar deviasi, reliability, and correlation

Variables	Mean	SD	CI	SQ	TS	ST	CL
Company Image (CI)	3.50	0.62	0.71				
Service Quality (SQ)	3.77	0.63	0.47	0.81			
Trust (TS)	3.30	0.68	0.44	0.69	0.82		
Satisfaction (ST)	3.10	0.70	0.40	0.40	0.67	0.84	
Customer Loyalty (CL)	3.64	0.70	0.40	0.57	0.63	0.68	0.82

Main diagonale was alpha Cronbach

74% of the companies that have been established between 5 and 15 year, 16% of them were over 15 year and the remainder were under 5 year. These data show that in the age of the companies the majority of the companies have established long enough so that they have enough experience to run their businesses. In terms of the type of business, 51% of the businesses were nautical, 23% of them were plantation and agriculture and the rest was a kind of craft business. It indicates that in type of business, the majority of the respondents run the businesses which are quite important in the community. Most respondents have become the property insurance policyholders >2 years by 71% and the rest were under 2 year old.

Mean, standard deviation, reliability and correlation: The calculations show that the mean, standard deviation, reliability and correlation of this study are listed in Table 1. The data in Table 1 shows the means ranged from 3.10 and 3.77. This indicates that on the scale of 1-5, the median value obtained is 3 meaning that all variables are higher than the mean value. It means that in terms of image in customer’s opinion, the image of insurance companies is good well and in terms of service quality they have sufficient quality. In terms of customer trust, they have the trust which is good enough in terms of customer satisfaction they are fairly satisfied and in terms of customer loyalty the are quite loyal to the companies. Based on the SD, it ranges from 0.62 -0.70 and it indicates that all SD meet the criteria of lower than 1 meaning that the data deviation is not too high. The reliability test results of the latent variables are; CI 0.71, SQ 0.81, TS 0.82, SN 0.84 and CL 0.82 the researcher used the value of minimum loading of 0.6, so the acceptable minimum need of Cronbach alpha accounts for the alpha square of 0.7 (Hair *et al.*, 2006).

Model test results: Based on the test results of the model in this study, it results in the data in Table 2. Table 2 shows the results of the data processing analysis that all the constructs used to create a research model of research in the process of confirmatory factor analysis has met the criteria of goodness-of-fit which has been set. The measurement model test in this study used

Table 2: Goodness of fit index

Tests	Confirmatory exogen	Confirmatory endogen	Structural indicator model
Chi square	67.818	27.694	210.198
Probability	0.286	0.090	0.075
df	62	19	182
CMIN/df	2.350	1.458	1.155
GFI	0.921	0.947	0.860
AGFI	0.885	0.901	0.822
TLI	0.987	0.973	0.973
CFI	0.990	0.982	0.976
NFI	0.897	0.946	0.850
RFI	0.871	0.920	0.827
RMSEA	0.027	0.060	0.035

Confirmatory Factor Analysis (CFA) in order to determine unidimensionality of the indicators that describe a variable formation.

Confirmatory factor analysis in exogenous variables: The construct of exogenous variables in this study consists of three variables, i.e., corporate image, service quality and trust. The results of the confirmatory analysis in the form of factor loading value of each variable construct indicator refers to the value recommended by Hair *et al.* (2006) that the lowest score is 0.4 and ideally 0.7 or more. The research took the determined median of Hair *et al.* (2006) by taking the minimal loading value of 0.6. The results of the model fit test indicate the probability value = 0.286; CMIN/df = 2.350; GFI = 0.921; AGFI = 0.885; CFI = 0.990; TLI = 0.987. The results of the confirmatory analysis in the form of loading value of each show that all statement items for each variable can be used as they are valid. The loading factors in this research range from 0.498-0.803.

Confirmatory factor analysis in endogenous variables: The construct of the endogenous variables in this study consist of two variables, namely satisfaction and loyalty. The test results of model fit show the probability value = 0.090; CMIN/df = 1.458; GFI = 0.947; AGFI = 0.901; CFI = 0.982; TLI = 0.973. the results of the confirmatory analysis in the form of the loading value of each statement indicate that all statement items for each variable can be used as they are valid. The loading factors in the research range from 0.573-0.839.

Full model test results: The model testing results by looking at the absolute fit values generally indicate that the model has good goodness of fit, so the hypothesis testing can be conducted using the existing model. The absolute fit values show good results in general. GFI value (Good of Fit Index) of 0.921 meets the model acceptance criteria for it is closer to the recommended value of 0.90. This shows the suitability of the model with the data. The value of RMSEA (The Root Mean Square

Table 3: Hypothesis testing

Hypothesis	CR	Probability	Results
Company image-satisfaction	0.25	0.81	Not supported
Service quality-satisfaction	2.63	0.01	Supported
Trust-satisfaction	2.18	0.03	Supported
Satisfaction-customer loyalty	5.88	0.00	Supported

Error Of Approximation) of 0.035 also meets the model acceptance criteria for it is smaller than the recommended limit of <0.08. The size of incremental fit shows good results in general. The values of incremental fit that meets the standards are met by AGFI (Adjusted Goodness of Fit Indices) at 0.822 equal to the minimum limit of 0.8, CFI (Comparative Fit Index) of 0.976 and TLI (Truckler Lewis Index) of 0.973 which are more than the minimum limit of 0.9 (Hair *et al.*, 2006). In other hand, the size of parsimonious fit indicated by the value of CMIN/DF (The Minimum Sample Discrepancy Function) at 1.155 also has the value lower than the maximum limit specified of = 2 (Hair *et al.*, 2006). Therefore it can be said that the model has parsimony element.

Research findings and hypothesis testing: The hypothesis testing on the variables of corporate image, service quality, trust and satisfaction on customer loyalty was conducted by considering the significant paths in the model. The analysis results show that three out of four hypotheses are supported and one hypothesis is not supported (Table 3).

The research findings make it clear that the variable of satisfaction is influenced by service quality and trust but is not influenced by the variable of corporate image. Then, loyalty is influenced by satisfaction.

The factors influencing satisfaction: The empirical testing results show that the factors influencing satisfaction is service quality and trust. This finding supports the studies conducted by Salam *et al.* (2013) and Ahmed *et al.* (2014). The study found that service quality has the effect on satisfaction. This means that when customers feel that the service in terms of service quality provided by an insurance company meets customer expectations and even exceed the expectations it will affect the improvement of customer satisfaction to the company.

The companies that provide good service quality to their customers will affect the level of customer satisfaction to the companies. Customers who feel to get good level of service quality will have a sense of satisfaction that the company has provided the level of service that is beneficial to the customers. The steps that can be undertaken by a company in order to form a good service quality is by providing safe and comfortable facilities so that customers feel at ease in transactions.

Convenient facilities must be supported by a neat and professional appearance of the marketers who interact with customers. The next step is by providing assurance that the good service is performed properly and quickly so that it is not too time-consuming for the customers who generally have certain bustles. Meanwhile, to increase trust, companies should always be consistent in serving customers as the consistency level is closely related to the trust that the insurance company's performance has been in line with customer expectations.

The factors influencing customer loyalty: This study found that the factors influencing customer loyalty is satisfaction. The analysis in this study shows that satisfaction has positive and significant effect on customer loyalty. This shows that the customers who feel satisfied with the services they receive in accordance with their expectation would have an effect on customer loyalty. Customer loyalty can be seen from the willingness of customers to recommend product advantages to other people, buying the same product, remaining faithful to buy the same product and customer refusal to the offer of competitors. This findings support the studies conducted by Qayyum *et al.* (2013). As for the ways that can be taken by insurance companies in order that the variable of satisfaction is able to increase company loyalty are by providing excellent facilities to their customers, maintaining the level of employee performance in serving as well as the overall performance of the management. This findings support the study conducted by Tu *et al.* (2012) which showed that satisfaction to company was proven to increase customer loyalty resulting in increased customer satisfaction that will have an effect on the improvement of customer loyalty to the company.

CONCLUSION

Principally, the research variables of corporate image, service quality, trust, satisfaction and customer loyalty have been studied before but the testing of the associations among the variables in property insurance business is still rarely conducted. Besides, the research using the respondents of the property insurance companies in export business is still very limited. The research on customer loyalty was one study that tested the functional associations of the variables of corporate image, service quality, trust, satisfaction and customer loyalty which were integrated in the model equations tested on its relevance in property insurance business. To get loyal customers, companies must perform various

steps associated with the policies in the improvement programs of service quality, trust and customer satisfaction. Various steps to do by insurance companies are by providing services to customers quickly and punctually, sympathetic and professional. Besides the companies should be able to convince their customer that the companies have met all the standards consistently and guarantee the availability of the facilities above the average for customers. Companies should be able to increase the number of loyal customers that the companies have always guaranteed their survival.

IMPLICATIONS

The findings of this study imply that to be able to quickly create customer loyalty, the managements must constantly improve their service quality. This can be done by insurance companies to provide the service that must be timely both in the process of policy issuance and claim payment. Besides all of the staffs must be polite and friendly to all insurance customers. Good quality services will create customer satisfaction that has the effect on their loyalty. (Source: the full analysis of the model). The second implication is that the managements should also create their customer's trust by always meeting their expectations and in every activity they are always in accordance with the specified standard.

LIMITATIONS

The limitation of this study is that the data used were in the form of cross section so that they could not reveal the true facts. It will be better when it is equipped by the use of qualitative research so that the facts can be revealed more realistically. In terms of the research objects, to make them broader, the other types of insurance can be added such as life insurance, underwriting and liability insurance, so that the objects with broader coverage would represent a real insurance customer loyalty.

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